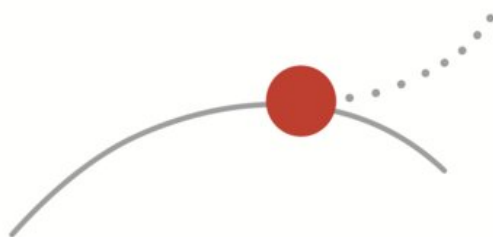


JIM HAGEMANN SNABE
MIKAEL TROLLE

DREAMS

— AND —

DETAILS



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AND YOUR LEADERSHIP
FROM A POSITION
OF STRENGTH

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Chairman of the Board of Directors, Nokia Corporation

Dreams and Details – Reinvent your business and your leadership from a position of strength

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PREFACE

On rare occasions, you meet someone who seems to be from a fundamentally different universe, but from the meeting springs a familiarity, energy and mutual inspiration that is almost magical. This book is a result of such a meeting. A seemingly random encounter between the book's authors – Mikael Trolle and Jim Hagemann Snabe – who have each spent a great deal of time reflecting on how to lead and how to help people grow and perform at a higher level.

Jim comes from the world of business. During Jim's long career at SAP, he saw the German software giant reinvent itself several times, creating new value and new opportunities every time. With his colleague, Bill McDermott, they carried out an extensive and successful reinvention of the company. But what were the crucial ingredients? What made the difference?

“For years, I had reflected on leadership. I thought about my mistakes as a leader – and my successes. I had noticed that some companies managed to reinvent themselves while others struggled. I searched for answers to one of the biggest leadership challenges of all: How do you reinvent a company from a position of strength? Along with the inspiration I drew from working with Bill McDermott, I searched for answers from other great leaders in business, sports and art. The British conductor Benjamin Zander, among others, encouraged me to trust human ability and potential.”

Mikael comes from the world of sports. With a background as top volleyball coach for the men's national team in Denmark, as well as

CEO in Volleyball Denmark, Mikael had studied leadership in elite sports for years. As a leadership advisor in the areas of art, research and business, he had the opportunity to compare leadership styles across multiple domains.

“My leadership roles and experience from the world of performance psychology led me to ponder the same question as Jim: ‘What exactly made my leadership work?’ What could I pass on? Just like Jim, I had sought out and studied other successful leaders, especially in sports. Inspired by legendary coaches such as Bill Walsh and basketball icon John Wooden, just to mention a few, I was driven to seek out the foundation of optimal human performance.”

The seemingly random meeting between us was made possible by a mutual friend, Allan Levann. Years earlier, Allan had founded the High Performance Institute, with the goal of helping people and companies to perform better, drawing on techniques and knowledge from art, sports, science and the business world. Allan’s ability to bring people together to obtain new insight is unparalleled. So even if our first meeting seemed random, the meeting was probably a natural consequence of living in a time in history with a growing need to reinvent the concept of leadership to unleash human potential.

When we met, a lot of things fell into place, and two worlds united. Although we came from different worlds, we realized that we had arrived at similar answers to key leadership questions: What does it take to stay relevant when conditions change? How do you lead people and organizations to a new level of performance? And most importantly, how do you unleash human potential to enable radical change in a successful organization? Our dialogue evolved as we exchanged experiences and attempted to develop a new leadership model based on human potential.

Since our first meeting, we have researched case studies of transformation and talked to many leaders from the worlds of business, sports,

art, research and the military to understand how they led reinvention from a position of strength. Each situation and story is different. However, in all cases, the fundamentals were always the same. All successful reinventions had the same basic starting point for success: human potential, human performance and human desire for achievement and recognition.

Many inspiring meetings laid the groundwork for this book. The process of writing the book was a process of continuous reinvention in itself. Many things were clear from the beginning, but at the same time, there were moments when we had to challenge our own assumptions to come up with the right answers. We are convinced that companies can and must learn to reinvent themselves, not just once, but continuously. We believe that this requires a new leadership approach. A leadership approach relevant for times of radical change and disruption, and designed to reinvent organizations from a position of strength.

It is our hope that the readers of this book not only find inspiration to lead through inspiring dreams and attention to the right details, but also are inspired by the need to do so.

Jim & Mikael

INTRODUCTION

“There is at least one point in the history of any company when you have to change dramatically to rise to the next level of performance. Miss that moment – and you start to decline.”

Andrew Grove, 1936-2016. CEO of Intel.

An early morning in March 2014, the season's first race in Formula 1 was broadcasted from Melbourne, Australia. SAP had paid a small fortune to get their logo on two McLaren racing cars, and in one of the cars was an interesting new driver, the Danish rookie Kevin Magnussen.

One and a half hours later, Kevin Magnussen crossed the finish line in third place, an achievement later upgraded to second place because Daniel Ricciardo from the Red Bull team was disqualified.

Excited, Jim wrote a text message to Ron Dennis, the chairman of the McLaren Technology Group at the time: *"Ron, congratulations on a great start of the season. Your ability to spot young talent continues to be world class."* After a few minutes, Ron Dennis responded: *"Jim, thank you for your support. It is a good start, but we should never forget that we are here to win. We still have a lot to do!"*

A classic Ron response. Ron Dennis may be one of the most ambitious leaders in business. He always tries to put himself in a position with the best chances of winning, no matter what he is doing.

It subsequently turned out that Ron Dennis was right. There was much to improve, and McLaren never did better during the 2014 season

than Magnussen's second place. Ron Dennis began to reinvent the McLaren Group. He believed that technological developments created new opportunities for the company, and he wanted to take advantage of the company's expertise in Formula 1 and advanced sports cars in an ambitious plan to diversify the group and turn it into a technology leader.

Ron's plan to reinvent the company did, however, meet resistance from the board and the majority of the owners, and he had to abandon it. As a result, he left the company and sold his stake in 2017. It was a difficult decision. For more than 35 years, Ron had helped develop the company. It went from a \$3 million company with 70 employees in 1980 to a global company with 3,500 employees, worth more than \$3 billion in 2017.

Instead of reinventing the McLaren Group, Ron Dennis started the process of reinventing himself, and today he is involved in reinventing other industries. His ambitions and his leadership philosophy is still impacted by his experiences from Formula 1. As he says, *"The fact that you have won the Formula 1 World Championship many times in past seasons is no guarantee for winning it in the next season."*

The Formula 1 example is relevant to the theme of this book: The ability to reinvent a company and its leadership. In Formula 1, the rules often change radically from season to season. Within a season, the rules in Formula 1 stay the same, allowing only for optimization of cars between each race to increase the chances of winning the next race. But between every season the rules change, sometimes drastically, which forces participating teams to experiment with new technologies, design new cars and engines, rebuild the teams, and above all, find innovative ways of working. Basically, they must reinvent the company for every new season. If you continue to optimize the old car and the old team based on the old rules, you are irrelevant already at the first race in the new season.

That is exactly the dilemma all companies face: to take the risk of reinventing themselves or risk not to? That is what this book is all about – the ability to reinvent a company at the right time and, in doing so, perform radically better when a new season or new market opens up and offers new opportunities.

In sports, it is easy to know when it is time for a new season: the schedule, the results or lack of results, speak for themselves. In a company, it is difficult to know when a new season is emerging, but it is crucial for a company's survival to identify whether it is enough to optimize the existing business, or whether it is time to reinvent it.

But how do you reinvent a company from a position of strength? Most people agree that a change is imminent when results are not forthcoming, or the company is losing money, but at that point it is often too late, since the financial resources to explore new opportunities are limited. The challenge is to reinvent the company for a new season while things are going well, and the company is strong. Change happens so fast today that a company must be able to react long before it is clear that it is necessary.

WRONG ASSUMPTIONS

Industrialization has created opportunities and increased wealth for more than 200 years through the introduction of new technologies, continuous improvement of production processes and optimization of supply chains. We have fine-tuned the way we manage and optimize processes.

It is hard to pinpoint exactly when we went from the industrial age into the digital age, since the change happened gradually, but 1989 was, in many ways, a landmark year. The Berlin Wall fell, and the English scientist Timothy Berners-Lee invented the World Wide Web, which made sharing information on the internet easy for anyone with a computer and an internet connection.

Both the fall of the Wall and the World Wide Web changed the world. The fall of the Wall opened a new avenue for globalization, giving companies access to new markets, new resources and new talents. At the same time, the World Wide Web made the world flatter, as Thomas Friedman writes in his book *The World Is Flat*. It sparked a development that we now are starting to see the effects of everywhere and the speed of change will only increase as digital technology evolves exponentially.

The exponential speed of change is a significant difference between digital development and the Industrial Revolution, which was more linear and thus easier to anticipate and prepare for. Today, change happens so fast that when you start to notice it, it may already be too late to react to it.

If we turn the clock back to 2008, Walmart had a market value of \$210 billion, and the internet-startup Amazon was worth \$20 billion. Only nine years later, in 2017, Walmart's market valuation was \$235 billion. The retailer had a solid increase of its market value, 12 percent in total since 2008. Amazon, however, was worth more than twice as much as Walmart at the end of 2017 and had become one of the most valuable companies in the world. Walmart's value had increased linearly, whereas Amazon's value followed an exponential curve, increasing by astonishing 2,400 percent over the nine years. In the last two years alone, the value of Amazon has doubled. In 2008, Walmart employees were probably not worried about Amazon. Today, it is difficult to imagine that Walmart will come back and take the lead over Amazon. Walmart has started a process of reinventing itself and is now trying to catch up in the new season of the retail industry.

Many companies have had to acknowledge that current success and size does not guarantee long-term survival. According to a study published in the *Harvard Business Review* in April 2014, the average life of the world's largest companies over the past 50 years has decreased from about 60 years to around 18 years. The chance of survival has been radically reduced, even for large and historically successful companies,

and that cannot be explained solely by bad management or short-sighted decisions, although it undoubtedly plays a role in some cases. The main reason is that the basic assumption from the industrial era of optimizing for scale is no longer valid. What was good management 50 or even 10 years ago is no longer enough to stay relevant.

When basic assumptions are broken, there is a need to rethink and reinvent the company to fit the new conditions and to adjust assumptions for a new season. The microprocessor in a modern smartphone, for example, would fill up an entire parking space if it was built with 1971 technology, and the mobile phone has more than a thousand times more computing power than all of NASA's computers in 1969 that helped to send people to the moon. And it is more than one million times cheaper. Due to the exponential nature of digital technology, the speed of development in the future will accelerate tremendously.

No industry can avoid the radical changes caused by digital technologies, and reports estimate that between a third and half of all job titles today will be replaced by digital technologies by 2050. It is a new season, and unlike Formula 1, the season change will not happen at fixed times or only once a year. In the future, most companies and leaders will need to constantly consider whether optimization is enough or whether they need radical changes and reinvention. As Andrew Grove, former CEO of Intel, stated already back in 1998, leaders should stay a bit paranoid, feeling that they are constantly persecuted.

We believe that the new digital reality requires a new kind of leadership. One that understands the rules of the digital season, reinvents business from a position of strength, thinks exponentially rather than linearly and develops people to unleash their full potential.

A FOCUS ON PEOPLE

One of the implications of digital development is that jobs that can be automated are likely to disappear. Many classic assembly line jobs are already automated, but artificial intelligence and robots are now chal-

lenging jobs that previously required specialized training: doctors, lawyers, translators, financial analysts and investors, just to name a few. In contrast, the jobs that would be harder for digital colleagues to take on are those that require human qualities: creativity, social skills, empathy, intuition and judgment - all of which will be difficult to systematize or be controlled through an algorithm.

This will have a significant influence on how we should act as leaders. In the future, people are even more likely to be hired because of their human qualities. Otherwise, technology can replace them. A leader will need to know how these attributes are cultivated, so the company is able to attract and retain the best talent and realize the full potential of its teams.

Human potential must be cultivated and given room to unfold, not restricted to detailed plans and predefined outcomes measurement. In a time that requires radically different thinking, detailed plans are meaningless and seldom create new opportunities. When people sense a lack of meaning, they lose the ability to motivate themselves and others. Their performance drops right when it is vital that it rises. If management then responds with even more control and measurements, it becomes a downward spiral. In a time when technology challenges old habits, we have a unique opportunity to lead and work in harmony with human nature instead of limiting it. It is a matter of leading in a radically different way with a focus on human potential and human performance. The leaders who understand how to unleash human potential have the keys to unlock the opportunities of digital transformation.

Dreams and Details is our take on how leaders can lead the reinvention of an organization from a position of strength and constantly create new opportunities by focusing on human potential and performance.

We present the background and principles thoroughly in theory and practice throughout the book. The key questions we try to answer are: How do you identify disruption early and react in a decisive way? How do you lead transformation of a company when it is still successful?

How do you inspire people to achieve their full potential and find the best way to reinvent the company to win in the future?

The dream is related to the strategy: Where are the future markets most relevant for your company and how will the company need to reinvent itself in order to maximize the opportunities in the next season? How do you translate the strategy into a dream and an ambition that is able to inspire people to embrace and drive radical change?

The second part of the thinking, the details, is about identifying the few, but critical factors that are essential to achieving the dream. Which new capabilities are necessary to unlock the dream and where do you need the biggest change in order to win in the future? How do you unleash human potential to perform in the next season? And how do you lead the transition from the old to the new season?

Our leadership model Dreams and Details is all about inspiring and developing people, business models and products to create the best opportunities for a successful reinvention of a company. Neither can stand alone. The dream creates the inspiration that fuels the work on the details, and work on the details unleashes human potential to make the dream come true and reinvent the company when the timing is right.

In the first chapters of the book, we will go through why and how the conditions for leadership have changed. We describe how digitalization is changing the fundamentals in all industries. We explain why it is necessary to continually reinvent a company if you want to stay relevant over time. We also explain how a company can recognize the signals that it is time for a season change, even if the company is doing well. We challenge the traditional performance management model with its incessant focus on planning and outcomes measurement. We think this is an outdated management model that discourages companies from undertaking the necessary radical changes and prevents employees from reaching their full potential.

We aim to present the Dreams and Details leadership model concisely. We explain the theoretical background for why you achieve better

performance when you set a clear direction, are ambitious and create a framework within which employees are free to find new solutions and develop performance for the next season. We follow up by giving concrete direction on how leaders can initiate changing seasons to reinvent their companies. We explain how to work systematically to challenge assumptions about what a company can do and what the market is. We describe the necessary analytical work behind developing the dream and identifying the few but crucial details that need radical change to make the dream come true. And we examine how a leader should interact and collaborate with stakeholders, including the board, when reinventing a company.

The book also contains our own experiences of leading reinvention of successful organizations. We describe how the reinvention of one of the most successful European software companies, SAP, enabled the company to become the most valuable company in Germany. And we describe how the work with continuous reinvention enabled an elite volleyball team to win 230 games in a row. Our experiences obviously are very different, but the fundamentals are the same, because we both had the opportunity to unleash human potential.

Human performance and potential are key concepts in our leadership model and play a central role throughout the book. Many traditional management models focus on targets, plans and measurement. Targets and plans are defined, and managers work towards fulfilling them. In our view, business plans often limit performance to what was planned. As leaders, we should not limit human performance to fulfill preplanned targets, but instead focus on unfolding human potential and performance in the areas that matter the most. Then the results will follow automatically.

Purpose and ambition also plays a key role in our leadership model. Delivering short term financial results will always be important in business. However, even well-run companies that are managed for short term profits fail to stay relevant when fundamentals are changed in the

industry. We argue that companies that are managed according to a meaningful higher purpose, are able to create sustainable success for all stakeholders over time. Purpose driven organizations attract the best talent and achieve higher levels of engagement. They therefore have a higher capacity to re-inventing themselves, independent of size and historical success.